

OVERNIGHT POLICY RATE

MAINTAIN ↔ AT: 3.00%

Prepared by:

- Lynette Lee
- Mazlina Abdul Rahman
- Uswatun Hasanah Zaini

Bank Negara Malaysia (BNM) has maintained the overnight policy rate (OPR) at 3.00% (Mar: 3.00%)

ECONOMIC GROWTH AND RISKS

GLOBAL



- Continued global trade recovery
- Higher momentum of global tech upcycle
- Resilient labour market
- Moderating inflation
- Further escalation of geopolitical tensions
- Higher than anticipated inflation outturns
- Volatility in financial market
- Tight monetary policy & reduced fiscal policy



DOMESTIC

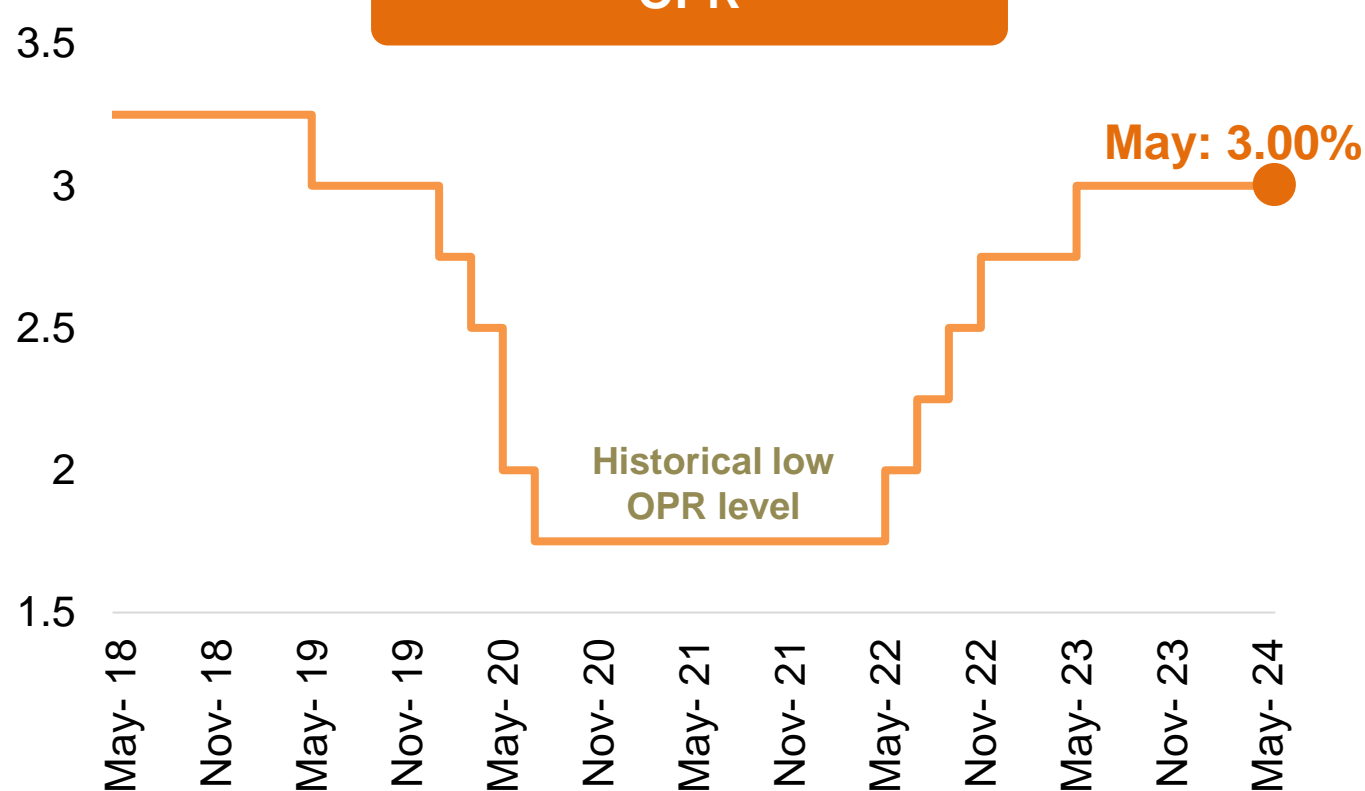


- Resilient domestic expenditure
- Greater spillover from tech upcycle
- More robust tourism activity
- Continued employment and growth
- Higher realisation of approved investment

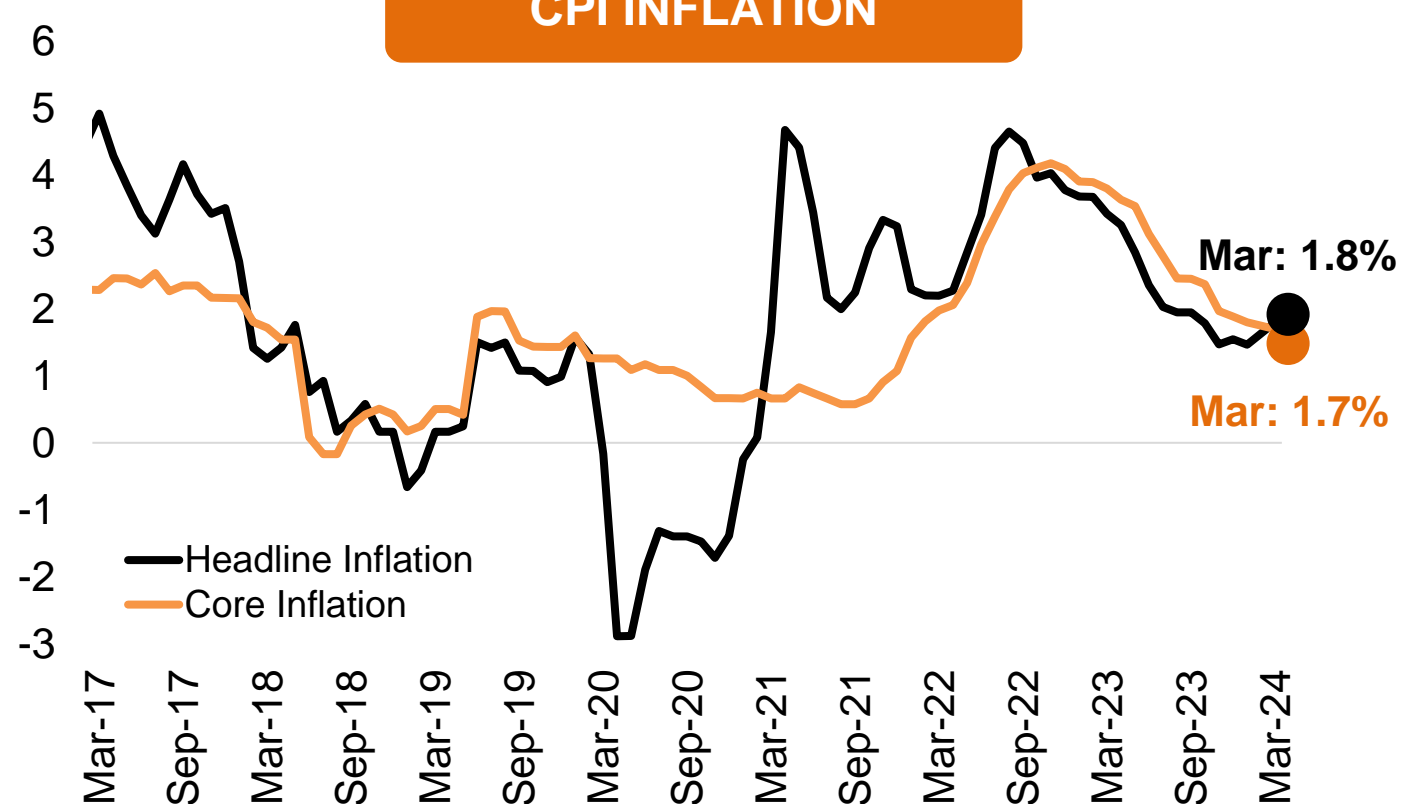


- Weaker than expected external demand
- Larger declines in commodity production

OPR



CPI INFLATION



KEY TAKEAWAY

- BNM has **maintained OPR at 3.00%** for the 3rd meeting of 2024, in line with our expectation. At this juncture, we expect **BNM to hold this rate** for the rest of the year.
- Domestically, latest indicators point **towards higher economic activity in the 1Q**, driven by resilient domestic expenditure and positive shift in exports.
- The growth outlook is subject to both downside and upside risks (refer above). While BNM did not specifically mention on **potential bulky withdrawal of EPF Account 3**, we view it to be a **boost to spending** hence serve as an **upside** to GDP growth estimate of 4% to 5% (BNM forecasts private consumption of 5.7% YoY).
- Headline and core inflation averaged 1.7% and 1.8% in the 1Q 2024. The outlook for the rest of the year is tilted to the upper range of BNM's 2.0% - 3.5% forecast (SME Bank: 2.5% - 3.5%) as it depends on the mechanism of subsidy removal, as well as global commodity prices and financial market developments.
- Meanwhile, the **slowing pace of disinflation** mainly in the US which increases the prospect of **interest rates to remain high for longer**, on top of ongoing **geopolitical tensions** have led to **heightened volatility** in both capital flows and exchange rates across the region, including the **ringgit**.

The monetary policy committee...



...reiterates that monetary policy stance remains supportive of the economy



...remains vigilant to ongoing developments



...ensures that monetary policy stance remains conducive to sustainable economic growth amid price stability

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